

A participant-directed retirement savings plan, such as a 401(k) plan, is an important tool to help your employees achieve a secure retirement. As part of offering this type of program, you or someone you choose must select the investment options from which your employees will choose, select the service providers for the plan, and monitor the performance of the investments and the provision of services. All of these duties require you to consider the costs to the plan. This brochure can help you ask the right questions to better understand and evaluate the fees and expenses related to your plan.

You or the person you select to carry out these responsibilities must comply with the standards provided under the Employee Retirement Income Security Act of 1974 (ERISA). This federal law protects private-sector pension plans. The law's standards include ensuring that you act prudently and solely in the interest of the plan's participants and beneficiaries.

Understanding fees and expenses is important in providing for the services necessary for your plan's operation. This responsibility is ongoing. After careful evaluation during the initial selection, the plan's fees and expenses should be monitored to determine whether they continue to be reasonable. While ERISA does not set a specific level of fees, it does require that fees charged to a plan be "reasonable."

Of course, the process of selecting a service provider and investment options should address many factors, including those related to fees and expenses. You must consider the plan's performance over time for each investment option. This selection process and continual monitoring will make it possible for your employees to make sound investment decisions.

As part of your evaluation process, here are 10 questions to help focus your consideration of fees and expenses:

- 1 Have you given each of your prospective service providers complete and identical information with regard to your plan?
- 2 Do you know what features you want to provide (e.g., loans, number of investment options, types of investments, Internet trading)?
- 3 Have you decided which fees and expenses you, as plan sponsor, will pay, which your employees will pay, and/or which you will share?
- 4 Do you know which fees and expenses are charged directly to the plan and which are deducted from investment returns?
- 5 Do you know what services are covered under the base fee and what services incur an extra charge? Do you know what the fees are for extra or customized services?
- 6 Do you understand that some investment options have higher fees than others because of the nature of the investment?
- 7 Does the prospective service arrangement have any restrictions, such as charges for early termination of your relationship with the provider?
- 8 Does the prospective arrangement assist your employees in making informed investment decisions for their individual accounts (e.g., providing investment education, information on fees, and the like) and how are you charged for this service?
- 9 Have you considered asking potential providers to present uniform fee information that includes all fees charged?
- 10 What information will you receive on a regular basis from the prospective provider so that you can monitor the provision of services and the investments that you select and make changes, if necessary?

Remember...

- ✓ Provide all prospective service providers with complete and identical information about the plan and

what you are looking for so you can make a meaningful comparison. This information includes the number of plan participants and plan assets as of a specified date.

- ✓ Consider the specific services you would like provided. For example, the types and frequency of reports to employer, communications to participants, educational materials and meetings for participants and the availability and frequency of participant investment transfers, the level of responsibility you want the prospective service provider to assume, what services must be included and what are possible extras or customized services, and optional features such as loans, Internet trading and telephone transfers.
- ✓ Make informed decisions in selecting and monitoring your plan service providers and investments.
- ✓ Fees are just one of several factors you need to consider in your decision making.
- ✓ All services have costs. Compare all services to be provided with the total cost for each prospective provider.
- ✓ Consider obtaining estimates from more than one service provider before making your decision.
- ✓ Cheaper is not necessarily better.

- ✓ Ask each prospective provider to be specific about which services are covered for the estimated fees and which are not. To help in gathering this information and in making equivalent comparisons, you may want to use the same format for each prospective provider. See www.dol.gov/dol/pwba for an example of a uniform fee disclosure format to assist in your selection and monitoring process.

- ✓ Fees and expenses can have a significant impact on your employees' retirement savings.

This brochure highlights the importance of a process for selecting and monitoring your 401(k) plan's service providers and investment options. Continue to ask questions - as an informed plan sponsor, you can make better decisions for your plan and your employees.

A copy of this brochure and the following resources are available on PWBA's website at www.dol.gov/dol/pwba

- ▶ *American Bankers Association/
American Council of Life Insurance/
Investment Company Institute -
401(k) Plan Fee Disclosure Form*
- ▶ *What You Should Know about Your
Pension Rights*
- ▶ *A Look at 401(k) Plan Fees*

For Employers ...

A
LOOK
AT

401(k)

PLAN
FEES



U.S. Department of Labor
Pension and Welfare Benefits Administration